Community Revitalization & Stabilization

A home is more than just a structure where people take up residency. Owning a home comes with a significant number of tangible and intangible benefits that renters don't enjoy. These benefits contribute to the well-being of a community. For many, owning a home brings a feeling of pride and accomplishment because of the realization of achieving the American dream. And of course, a home — according to Dorothy (Wizard of Oz) — "**well, there's no place quite like it**".

Our housing program is built upon a mission to **revitalize and stabilize communities** so that MORE of the renting population can realize the **Dream of Home Ownership**. We believe it is worthwhile to invest in the people who take up residency in our communities.

It comes down to **improving the quality and value of homes** in our communities.

One of the ways we can accomplish our revitalization and stabilization efforts is to help restore neighborhoods with two approaches. (i) reduce the quantity of renters and increase the quantity of home owners, and (ii) improve the quality of the neighborhood by reducing the quantity of "distressed" properties.

The first thing a new home buyer looks at when considering purchasing a home is the condition of the properties around the home they are looking at. If that neighborhood has mostly home owners then the odds are their properties are well maintained. Home owners tend to take better care of their homes as compared to renters because they typically take pride in what they own. If there are a lot of bank owned properties in the neighborhood the odds are the quality of that neighborhood has gone down. **Our housing program solves both problems. We help RENTERS become OWNERS and we convert distressed homes into "Like-New" homes**.

In recent years the quantity of foreclosures and short sales hitting the market increased so dramatically that we would find communities where there are more "distressed" properties in the neighborhood than normal retail listings. This ratio of distressed to non-distressed listings causes the **values of the non-distressed homes to go down**. Appraisers have to include foreclosure sales in their comparables which result in a decrease in over-all values for all homes in that area.

Distressed properties are those bank owned homes or short sales that have been in the past typically liquidated at a thirty percent (30%) to forty percent (40%) discount **to investors, rehabbers and landlords (wholesale buyers)**. Distressed properties are always sold for less than retail properties because the bank knows that the loss they take is converted into a tax-gain.

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Retail buyers typically purchase homes with financing from a mortgage company that requires the property to be in like-new condition. Whereby wholesale buyers use CASH or other financing options that do NOT require the condition of the property to be in “like-new” condition. Retail lenders will NOT lend to retail customers on a property that is NOT in like-new condition. There are two factors that contribute to a property being distressed. It is either **physically or financially distressed** (or sometimes both)!

Financially distressed properties are considered distressed because of the financial loss the bank deals with when taking back ownership through **foreclosure** or some other transfer of title from the original home owner. Financially distressed properties also include a “**short sale**”. A bank will take a “loss” because the owner owes more than what they are receiving for the payoff, which is why it is a “short”. The homeowner that can’t make their mortgage any longer can’t sell their home because the value is less than what they owe. The general financial stress originates from transactions where someone is taking a significant “**loss**” which causes them to be distressed.

By acquiring and renovating distressed properties exclusively for program participants, we **improve values**, **stabilize neighborhoods**, **and improve the overall well-being of the people** that make up our communities.

Sourcing is the term used to describe how our team of professionals **(i) identify properties (ii) place offers on properties, and (iii) secure properties on behalf of program participants**.

Avoid Tunnel Vision

We don’t want you to get wrapped up in the excitement of a house that we think you might be able to get.

In order for the process to work you will need to **look at many distressed homes**. If we find a property that meets the criteria of our program, that doesn’t mean or guarantee that we are able to secure that home for you. For this reason, we keep looking. You should expect to look at many properties and AVOID the notion to go for only ONE house.

We will reach a point in which we will take title to your home. That is when we stop looking!

We do NOT want to hear you say… ***“I only want that house!”*** Why? It doesn’t make logical sense to ever assume you could purchase only that house. That would NOT be an intelligent assumption. That doesn’t mean we won’t try, it just means that we expect and you agree to keep looking at properties until we tell you otherwise.

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Sourcing Eligibility

The objective of the **housing program** is to help program participants achieve measurable improvements in overcoming those obstacles that keep them from purchasing. It is important to know what your goals are so that way you're taking consistent action over-time to reach them. ***It doesn't make sense to start the sourcing process until you reach a point in which we are confident that you can actually purchase a home that we source.***

The eligibility requirements that you must meet in order to start the sourcing process are: (i) all three **credit bureau scores must be 640** or higher, (ii) a fully **funded gfc** of no less than $5,000, (iii) completion of all program **courses and lessons**, (iv) income and employment **verification,** (v) **a verified DTI ratio that meets or exceeds retail lender guidelines,** (vi) an **approval (in-writing)** from a lender (not a pre-approval), (vii) proof of funds saved in a bank account with the proper amount of reserves ($3,000 to $4,000).

Expectations on Reserves

The advising team should have helped you setup your budget in such a way that as you are slowly funding your gfc, you are also funding your savings account. Having a reserves of $3,000 to $4,000 is critical because although the majority of the closing costs are going to be covered for you at the closing, the lender will require you to pay for at least one appraisal ($500) and a home inspection ($300). The lender will also expect you to have enough money saved in your account to pay for two or three mortgage payments. The target amount we want you to have in reserves is between $3,000 to $4,000 or more. The more the better.

Can I buy a Distressed Property?

RETAIL LENDERS WILL NOT LEND DIRECTLY TO YOU ON A DISTRESSED PROPERTY. They will only lend to you once the property is ((((**UNDISTRESSED**)))). When we take title for you, custom renovate the property and then the realtor lists the property at retail on the MLS - the property is no longer considered distressed. Why is this important to remember? It's important because we want to avoid the notion that you can buy that distressed house yourself and fix it up yourself and the lender will lend you the money.

Some lenders and even government agencies may offer programs or certain types of loans for retail buyers to purchase distressed properties. These programs are "self" driven and do NOT allow for sponsorship funding solutions that work in our program. Therefore, our team will NOT be providing information or education on these programs as they are NOT conducive to helping you complete our housing program.

Two Transactions

You must be aware of the fact that there are two separate and distinct **transactions** taking place. The first transaction is when we purchase the distressed property for you and second transaction is when you buy the property from us.

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Primary & Secondary Sourcing Categories

There are two categories of properties that you may be exposed to in the sourcing process. They are primary and secondary sourcing categories. The primary sourcing methods include (i) inventory properties and (ii) MLS properties. There are three types of secondary sourcing methods: (i) conforming, (ii) non-conforming, (iii) new construction.

Inventory Properties (Primary Sourcing Category)

The first category of distressed properties you might be exposed to in the sourcing process is "Inventory" properties. Sometimes we have sellers or sponsors that come to us with homes that have already been renovated to put in the program and make available for our program participants. Inventory homes can come from normal sellers that want to sell their home OR from investors that buy and sell homes. Inventory homes can come from anywhere including realtors, the MLS, someone you might know, etc.

In order for us to "accept" these properties into our inventory and show them to participants like you, the seller must become your sponsor by agreeing to our sponsorship terms. These "terms" include closing costs, principle reduction, and in some cases moving assistance.

Because the property is MOVE-IN-READY the **timeline is significantly reduced**. The extensive effort and time involved in acquiring a property has already been completed by the seller/sponsor and we move directly to contract and then underwriting. As long as you like the property and the sales price is within your purchasing power, then the transaction time frame goes from 4 to 6 months to 4 to 6 weeks.

The down-side of selecting a property from inventory is that the renovation is already complete and therefore the program participant must accept the property "as-is" with very little to no input on preferences because the renovation is complete. If you do not like a property in the inventory category, we will source properties from the MLS.

MLS Properties (Primary Sourcing Category)

The Multiple Listing Service (MLS) is a system that has been developed by real estate professionals to help formalize the buying and selling process for realtors. The MLS **promotes cooperation** amongst real estate licensees under the notion: "Help me sell my inventory and I will help you sell yours".

Sellers benefit by increased exposure to their property. Buyers benefit because they can obtain information about all MLS –listed properties while working with only one licensee. The MLS is a tool that helps real estate professionals consolidate information on properties. Every market has their own MLS system that contains the private database of properties for sale. Real estate professionals pay to have this database of information maintained and organized ensuring all parties enjoy a more streamlined experience. Sellers can "list" their home in this database by a licensee they retain and buyers can view these listings by a licensee who will represent them in the transaction.

Both Retail & Wholesale properties are listed in the MLS. The bank owned properties are listed by various real estate brokerage firms and their licensees in the same manner as homeowners. The difference is that the prices of distressed properties are listed lower than those that are sold at full retail. They are listed lower so that wholesale buyers with cash can buy them which results in a quick closing. This quick closing is the standard method in which banks liquidate their distressed assets.

In order to SOURCE homes for you, we have contracted with real estate licensees that are trained to look for distressed properties from the MLS to accommodate our Community Revitalization and Stabilization goals.

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Sponsorship Funding for the Acquisition

Sponsorship is the term we use to label the **process from which we solicit funding from an outside entity on your behalf.** Our goal is to secure enough funds from a sponsor to purchase a distressed property, renovate that property and bring it to an undistressed status. This type of sponsorship acquisition is usually from the Multiple Listing Service which is the primary source from which these types of acquisitions occur.

When we solicit funding for you, we present your file to the sponsor, similar to how a loan officer might present a file to an underwriting team. In both instances they are scrutinizing you to determine the RISK associated to putting up a large amount of money for you. The sponsor wants to make sure you are going to be able to purchase the property after it has been renovated. This means they want to verify your approval, your gfc balance and any other facts about your file before lending the Foundation money to purchase that home.

We go into Debt for you

As stated earlier, you can't purchase a distressed property because retail lenders won't lend to you. The We Help Foundation will actually execute a mortgage and note with high interest rates and other costs with your sponsor. Your sponsor will approve and then lend the Foundation the money needed to (1) purchase the property, (2) cover the primary transaction costs, (3) cover the carrying costs until you are able to purchase the property. The "terms" of the loan to the We Help Foundation vary and are based upon how much RISK might be involved in the transaction. Because you want the property and your gfc represents your financial commitment to "see-it-through", we are more likely to secure sponsorship.

To ensure the transaction is "structured" properly we have to **account** for all the costs of the transaction. We have to estimate these costs in advance and then solicit funding from a sponsor who will lend us the funds to cover the primary transaction costs. The funding received by the retail lender will account for the secondary transaction costs at the time of closing.

Primary Transaction Costs	Secondary Transaction Costs
Cost of the property from the Seller Title Transfer Fees (Title Company) Realtor/Broker Fees/Costs Renovation Fees/Costs Lender Fees/Costs (points + interest) Mortgage Recording Fees/Costs Power, Water & Sewer Fees/Costs Doc Stamp Fees/Costs County, City, State Gov Fees/Costs	Title Transfer Fees/Costs (Title Company) County, City, State Gov Fees/Costs Realtor/Broker Fees/Costs Mortgage Recording Fees/Costs Appraisal Fees/Costs Warranty Fees/Costs Doc Stamp Fees/Costs County, City, State Gov Fees/Costs

Primary Transaction Costs are those expenses associated to securing a property on your behalf. These costs include but are not limited to; the cost to secure the property from the seller, title transfer fees and other title company related expenses, realtor fees, renovation costs, utilities, permit fees, lender fees and any county, city, state or government fees or costs that may be charged to the selling party or in the acquisition process. Primary transaction costs usually make up between 80% up to a max of **85%** of the value of the property.

When you take title to the property, approximately 80% to 85% of the funds from the retail lender are paid back to the sponsor that put up the money to cover your primary transaction costs.

Secondary Transaction Costs are those expenses associated to when ownership of the property is transferred to you. You can expect the secondary transaction costs to average approximately **10% to 15%** of the value of the property. These secondary transaction costs are actually paid for by the funds from the retail lender at the time of the closing.

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Purchasing Power

Before you can look at properties with a realtor you must first secure an approval letter from a loan officer. The approval letter confirms your ability to purchase the property after we buy and renovate it. In this approval letter the loan officer will disclose your purchasing power based upon your income and debt. We have to know your purchasing power in order for your realtor to know which types of homes and in what areas to search for.

Searching the MLS

Because we are looking at properties that are distressed and priced below the market, your realtor will use the MLS filtering system to seek out bank owned properties listed on the MLS. The MLS filtering tool can be set to exclude homes that are for sale by home owners. Distressed homes are often physically unappealing. They might have outdated flooring, cabinets, etc. Many just look run down both on the exterior and interior. It is important to have “vision”. Try to see the future condition of the property NOT the current condition. If you overlook properties because they are unattractive, when they could have worked had they been renovated, the process will take forever.

It’s one thing to be picky, it is another to want a mansion when all you can afford is all you can afford. The more you insist on specific amenities or unique requests, the more difficult it will be to find the right property and the longer it will take. We don’t mind taking as much time as you are prepared to spend in the sourcing process. When the process takes longer because of your particular wants, just remember to keep a positive attitude with our team. When the process takes too long, everybody can become frustrated and for this reason we suggest that you keep your preferences, requests and ultimatums realistic. Earlier we discussed avoiding tunnel vision. This behavior would be the extreme opposite of that.

Acquisition Formula

The acquisition formula helps your realtor determine which properties to target based on the current list price of a property. The realtor will run a preliminary value assessment to see what the values are for that property. If the current list price is too close to the retail values then we would most likely wait to pursue that property with you until the list price drops. If your purchasing power is $100,000, we will be looking for distressed properties that are listed on the MLS for around $65,000 to $70,000 or less. We know that your sponsor will lend us up to 70% of your purchasing power to purchase, renovate and carry your property through until you can purchase it.

If the retail values for a particular property are around your purchasing power, let’s say $100,000 for this example. First, we would multiply $100,000 X 85% which equals $85,000. Next, we would deduct another 15% from that figure, which is allocated to renovate and carry the property. $85,000-$15,000 equals $70,000. If the renovation budget and carrying costs can be covered by $15,000 (or less) than we could purchase this property for $70,000 or less. Because of the possibility that our retail value estimate is incorrect too low, it is always prudent to try and secure the property for a lower purchase price if possible. If this property was listed for $65,000 or less then it becomes more attractive to us because this will offset the risk that our retail value estimate is too low.

Primary transaction costs include two elements; renovation costs (10%) and carrying costs (5%). Carrying costs include interest payments, utilities and other expenses that occur from the time the property is purchased by us until ownership is transferred to you. The renovation and carrying costs together make up a critical figure in the acquisition formula. At first, we estimate 15% toward these costs.

After you look at the property and determine you like it, the realtor will then call in the general contractor to get a more accurate estimate on the renovation costs. If the renovation costs are lower than expected then the threshold we put on the purchase price could increase. If the renovation is greater than expected then the purchase price would have to decrease proportionately.

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Current Market Analysis (CMA)

Once the acquisition formula produces an approximate purchase price that will work, your realtor will confirm whether you like the property or not. If you like the property and we determine it meets the standards of our Community Revitalization and Stabilization goals, the realtor will spend approximately 3 to 4 hours preparing a **Current Market Analysis (**CMA) for us to review. A CMA is basically a report that reflects comparable sales in the area that the property is located. The realtor is looking for similar properties in age, proximity, size and condition that have sold recently.

The CMA establishes a starting figure or value to work backwards from. We want to make sure that we don't over pay for the property and leave enough room in the transaction to **account for all transaction costs**. The only way to do this is to try and anticipate the retail value of the property with a CMA.

Value is roughly calculated by dividing the sales price of comparable properties by their square footage. For example; let's say that the property we are interested in for you has 2,000 sqft of heated & cooled space. The realtor would be looking for properties that were between 1,800 to 2,200 sqft in size as close to the subject property as possible. The realtor will look for comparable properties that sold recently that are similar in condition to the subject property. You wouldn't want to compare a foreclosed distress property to a fully renovated undistressed property.
These variables in age, proximity to the subject, size and condition should provide your realtor with a reasonable set of data to determine an estimated retail "undistressed" value. The purchase costs and project costs together can NOT total **more than 85% of the CMA value**. Remember, the actual value is an estimate that could go up or down between the time we accept the offer and the time you ultimately take title 60 to 90 days later.

DISTRESSED TRANSACTION ANALYSIS (acquisition of the property by us)		
Purchase Costs (65%-75%)	❶$65k-$70k	The distressed property is acquired for approximately $65,000 (65%) to $70,000 (70%) of the retail value. This is the amount paid to the Bank (seller). This becomes the principle amount that the Foundation now owes your sponsor.
Project Costs (10% to 15%)	❷$10k-$15k	Project costs include acquisition closing costs, carrying costs and renovation costs estimated to be $10,000 (10%) to $15,000 (15%) of the retail value of the property (CMA estimate).
Subtotal Range (80% to 85%)	$80k-$85k	The total distressed acquisition amount should never be more than 85% of retail value. This ensures that there's enough equity differentials to cover the retail transaction costs (**defined in the retail transaction analysis chart**).
Figures are based on a property with an estimated value of $100,000.		

Making the Offer

You can expect to look at many properties as your realtor sources properties that match your preferences with the given formulas that have been disclosed. Before the realtor can make an "**offer**" to acquire the property he/she has to spend a significant amount of time gathering data to ensure the transaction will work. The pre-offer process includes: (i) inspecting the property to determine renovation costs, (ii) preparing repair estimates with the general contractor and you, (iii) preparing an accurate CMA, and (iv) packaging this information for everybody to inspect.

Once we've identified a property that will work and you determine you like the property, then it is time to start placing offers. The realtor will contact the listing agent and confirm what is required for the seller (the bank) to accept an offer. The listing agent will confirm the "terms" from which the seller (bank) is willing to move forward with. The realtor may typically spend 3 to 5 hours just reviewing the terms forwarded from the listing agent.

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The following items will be required to move forward: (i) proof of funds, (ii) an Earnest Money Deposit (EMD), (iii) a purchase and sale agreement, (iv) disclosures specific to the transaction, and (v) closing instructions. These are all items that actually make-up the offer that we make on the property.

This process usually takes 3 to 5 days to properly organize and disseminate. Once all required documents and agreements have been submitted, the listing agent will usually respond with a counter-offer within a week or so. Sometimes the counter-offer can take as little as 48 hours and other times longer (nobody can control this process). The countering back and forth will continue until the sales price is above their floor and below our ceiling. This "negotiating" phase can be completed in as little as a week or up to 3 or 4 months.

There are many reasons why the seller (bank) may not take the offer. The bank may get other offers that are higher than ours. The bank may be taking multiple offers in an effort to see what the market will or may produce without any intent on accepting an offer. Either way, we keep going with multiple properties, multiple offers until one is accepted.

If the offer is accepted, you will receive a call from our team. This is a major milestone in the process because it means that we're within 10 to 20 days from acquiring the home and taking title on your behalf. The realtor will contact you a few days prior to the closing and then on the day of the closing to provide you with confirmation that we have in-fact purchased and acquired the property. All throughout this process our team will be communicating with you to ensure other steps are completed in the process.

Taking Title on Your Behalf

In the early days of the program the sponsor that provides funding to acquire the property would take title to the property. On occasion a sponsor would terminate our contracts prematurely and pull the property away from us and take it to market without us to gain higher profits. In these scenarios we have to start all over with our program participant which ends up wasting a lot of time and causing frustration.

To solve this issue the Foundation will "**take title**" to the property on your behalf. This ensures that the funding source stays just the source for funding and is not able to pull the property away from us. We will execute a short-term mortgage or loan to collateralize the property. The mortgage and note instruments are similar to the mortgage and note you will execute when you take title.

The Foundation will have to pay a monthly mortgage payment to the sponsor/lender until you can complete the purchase and take title in your name. This keeps the property "**in-the-program**" until you are able to complete the underwriting process and take title to the property. The debt-service is factored into the acquisition project costs as part of the carrying costs.

The Renovation Process

The modern lifestyle is drastically different from what it was even ten years ago and a renovated home in our program has to reflect today's stylish look and feel. When it comes to the renovation of a property there are several key factors to be considered.

The first is factoring or accounting for a custom renovation. A prelim budget and punch-list of repairs are prepared by contractors prior to the acquisition. After the acquisition the general contractor will spend more time producing a more detailed budget and punchlist. Budgets are typically flexible, but not by much. Within 24 to 48 hours of the purchase, we will need to arrange a meeting with the general contractor onsite to review the renovation punch list in greater detail. The objective is to go from a generic list that was created before the purchase to a more detailed list of repairs.

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Because we only have a certain amount of "available" proceeds to complete the renovation it is important to understand what you have input on. The property has to appraisal at full retail in order to receive the maximum retail value and therefore the renovation must be **top-notch**. This means that the renovation must be completed in such a condition that should the program participant default on the transaction (on purpose or not); we can "**market**" the property to other program participants. For this reason, the improvements must be neutral and generally appealing to anybody and everyone. Therefore, specific requests may not be available; i.e., contrasting paint schemes or drastic changes to the structure are often not applicable.

We are looking for your input on the following types of Preferences:

- **Paint**: Color Schemes in various rooms (shades darker or lighter)
- **Flooring**: Tile/Wood/Carpet (types and shades)
- **Appliances**: White/Black/Stainless Steel
- **Cabinets**: Darker or Lighter shade

All other aspects of the renovation are automatically required to be the "Best-Possible" improvement standard. Additionally, the property has to pass inspection from the retail lender by way of **a home inspection**.

In order to get the highest appraised value the property must be in the best possible condition. This means the following items do not require any input from you and must be in like-new condition; (i) the roof, (ii) heating & air conditioning, (iii) structural, (iv) plumbing, (v) electrical. You may request an "Upgrade" and it is up to the sponsor to approve it. If there is enough room in the budget and the value of that upgrade will support the increased value of the property then some upgrades like crown molding, trim, granite countertops, fixtures, etc. can be included in the renovation. If the sponsor determines that an upgrade you requested is not feasible, then you may "**pitch-in**" and pay for those upgrades if you like.

Preferences in Writing

One of the primary benefits of participating in our program is the ability to provide input on the renovation of your home. When the renovation begins you are given an opportunity to walk-through the home with the general contractor prior to the renovation starting. During this walk-through you have the opportunity to describe your preferences and custom requests to the general contractor. In order to ensure that your requests are addressed and considered for the renovation budget they must be documented in writing. You must contact the advising team to complete a consultation in which a meeting tracker is completed. This meeting tracker must document any preferences and/or special requests you want completed.

Once our advising team has it documented, we can then communicate with the general contractor completing the renovation and better ensure that your preferences are considered in the renovation budget. Our advising team will contact the contractor after your consultation and will review your preferences from the meeting tracker with them. It will be determined at that point prior to the budgeting allocation which preferences are acceptable and which ones are not. It is must easier to secure approval for your preferences before the budget is set rather than after.

If you mention to the contractor during your walk-through that you want a wall taken out to open up a room and you don't get it documented with our advising team, it will be difficult for us to request to have that wall removed after the renovation is complete and have the cost covered by the contractor. However, if we confirm with the general contractor at the beginning of the renovation that this request is acceptable within the renovation budget, we can hold them accountable to it. If they forget to complete a task that was on the preference list that was approved in the budget, then the contractor is responsible for the costs associated to making sure your requests are completed. If there is NOT an approved list of preferences that we can reference and you ask for modifications to the renovation after it has been completed, in most cases those requests would not be able to be completed. In these scenarios, we will work with you on a solution in which costs may be shared or completed post-closing.

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The Purchase & Sale Agreement (contract)

After the Renovation is complete it is time to execute a contract (purchase & sale agreement). A contract is required in order to consummate the terms of the purchase from which you take title from the We Help Foundation. The We Help Foundation executed a contract when it purchases the property in the 1st transaction.

The contract is the instrument that tells everyone [the lender, title company, etc.] to take action. The realtor will review specific elements of this contract which will include listing the retail purchase price, identifying the title company, allocation of funds, etc. The executed contract is forwarded to the loan officer.

After receiving the contract the loan office will start soliciting you for additional documentation in order to complete the underwriting process.

The loan officer may **submit your file to multiple lenders** to ensure that we increase our odds of getting an approval. If your file was only submitted to one lender and their guidelines change mid-stream, then we might have to start all over again with another lender. This costs time and energy and can be a source of frustration for all parties. Our first approach is to submit the file to 3 or 4 lenders immediately after completing the purchase & sale agreement.

Guidelines vary by lender. One lender may be able to provide retail financing where another may or may not. There are dozens of lenders that can provide retail financing and program participants should comply with and be conducive to the process of providing documentation when requested for each submission to a lender, regardless of the number of times it may take to secure retail financing.

If the first, second and third lender and each lender thereafter does not provide an approval, then the program participant understands that the Foundation is responsible for continuing with the process of seeking out any possible way to complete the transaction.

This may require **"creative-thinking"** as we adapt to what the lenders ask for or how they want to see the file structured. All parties have to understand that what a lender requires when we first submit the file may change. If we get a denial from a lender our first response is to identify the "reasons" why the loan is being denied to see if there is something the program participant can do to change the results.

Program participants must understand our role is simply to collect what is needed for the lenders until an approval and request to order the appraisal is achieved, regardless of the number of times we have to submit the file to various lenders.

Underwriting Process

Underwriting is the term or label used to describe the process that the lender uses to scrutinize you and the viability of lending to you. During the initial approval stage the first round of underwriting will be performed to determine your eligibility to purchase (2 or 3 day time-frame). Now that the renovation is complete it is time to move the process into final underwriting (5 to 10 day time-frame) and clear any final conditions the lender may require. We start by executing a purchase and sale contract which states the terms of the retail purchase for the lender and the title company.

At this point we're 30 to 45 days away from you owning that home.

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The Appraisal Process

An appraisal is a written "opinion" on the value of a property. The lender will require two appraisals to accurately determine how much they are willing to lend you to buy the property. You will pay for one appraisal and we will pay for a separate appraisal.

The lender will hire an Appraisal Management Company (AMC) to complete the appraisals independent of each other. Each AMC has a pool of independent appraisers that they have contracted with to randomly place the order for an appraisal. The appraiser will use comparables from the MLS just like your realtor used when producing the CMA.

The entire process takes 5 to 7 days from the date the appraisal is paid for. The appraisal process is completely done independent of us. Typically, one of the appraisals will be higher than the other. The lender will use the lower of the two appraisals to determine the final loan amount to you.

If the lower of the two appraisals is near or at the contracted purchase price then we move to final underwriting. Final underwriting takes approximately 5 to 10 days to complete.

If one of the appraisals produces a low value then we try to first determine if there was a mistake made by the appraiser. We can actually dispute the values through the lender if our realtor can provide evidence of either a mistake or produce supporting comparables.

If it is determined that a mistake was not made and we can't provide better comparables then we have to consider other options.

Options with a Low Appraisal

If the appraisal is too low our options are as follows.

1. **Adjust or Reduce the Purchase Price**: Considering you cannot purchase a house for more than its appraised value, we must reduce the purchase price to match the appraised value. We may have to adjust sponsorship funding allocation which means you might not get the benefit of funding for moving assistance OR you may be required to come up with more money to offset secondary project costs.
2. **RTO option**: In some cases the parties may come together and agree to allow the program participant to rent the property until such time that comparable sales in the area support a higher appraisal and corresponding purchase price. This is usually a temporary 3 to 4 month arrangement.
3. **Option to Decline**: The parties may decide that it is best to stop any forward progress on this property and start on another property.

Once the final value has been determined and agreed upon by the parties it takes about another week to get to the closing table.

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What Happens At Closing

The closing is considered the **"Finish-Line".** We will contact you a day prior to the closing to review the "Funds-to-Close" figures and prepare you for closing the next day.

At the closing you will be presented with a HUD statement by the closing agent. The HUD statement is a break-down of where the proceeds are going in the closing transaction.

The following chart provides a general description of where the proceeds are allocated.

RETAIL TRANSACTION ANALYSIS (acquisition of the property by you)		
	$100,000	Retail Value (your purchase price as determined by a 3rd party appraiser)
[Fixed] Loan Amount (96.5%)	$96,500	This figure represents the amount of funds paid by the retail lender at the time of closing that makes up your debt or mortgage. Each of the following items are then accounted for and allocated accordingly from that loan. The difference in the loan amount and the purchase price is considered your down payment which can come from various sources that include but are not limited to your funds or sponsorship funding (grants/dpa).
[Vary] Buyer & Seller Closing Costs (6% to 9%)	-$8,000	This is a fixed cost to both the buyer and seller that include various expenses like title fees, taxes and other costs associated to both the buyer and seller. The retail closing costs have a variance of 6% to 9%. In this example we will use $8,000 or 8% as the allocation to cover closing costs.
	$88,500	
[Fixed] Realtor Commission (6%)	-$6,000	This is a fixed cost paid to the real estate company to cover the costs of the realtors and brokers that helped complete the transaction.
	$82,500	
[Vary] Distressed Acquisition Costs (80% to 85%)	-$80,000	The capital that was used to secure the property, carry it and renovate it is returned to its source. These proceeds are paid to your sponsor at closing. It will be listed on the HUD as a "payoff". These funds will satisfy the loan that the Foundation executed with your sponsor from the distressed acquisition.
Transaction Variance	$2,500	This is the amount leftover when all fixed costs have been accounted for. **Funding allocations** can be increased or decreased depending on how large or small this figure is.

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Conforming Sourcing

Conforming is the term we use to describe the type of sourcing completed when we source properties listed by realtors through the Multiple Listing Service (MLS). Conforming simply means that our real estate team will conform to the industry expected method of identifying properties for a program participant. This type of sourcing does NOT have any impact on our Community Revitalization and Stabilization goals because the properties being sourced are listed by realtors with sellers that **are regular home owners in the retail real estate market**.

Properties sourced in the conforming manner do not involve a sponsor or any sponsorship funding. Conforming transactions are negotiable and our real estate team will handle the negotiations with the listing realtor to try and secure the best possible terms.

Because sponsorship funding is not applicable to this type of transaction, the benefits associated to a sponsorship based property do not apply. The advising team will discuss whether this option is best for the program participant when they have completed the program and are eligible for sourcing.

In order to source conforming properties, a program participant must meet the minimum sourcing eligibility requirements for completing the purchase of a conforming property. You will need additional funds to cover your closing costs and down payment. Without sponsorship this type of transaction will not allow us to account for your gfc in any amount. Your gfc balance will not be applicable in a conforming transaction.

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Nonconforming Solutions

The purchase of a home is a very expensive undertaking and usually requires some form of financing to make the purchase possible. In most cases, we will help you get qualified to purchase a property by taking out a mortgage for the purchase. There are other ways to acquire homes that do NOT require a lender or mortgage. We call these **non-conforming sourcing solutions**. These types of transactions don't conform to the normal way we construct transactions. These types of transactions are far and few between and include assumable mortgages, and seller financing transactions.

The **assumable mortgage** is an alternative to the "normal" method from which we source properties, but has the same objective. With an assumable mortgage, we would identify a homeowner that is under some kind of financial distress and wants to sell fast. We first contact the mortgage company to determine if we can step in and "assume" their mortgage. If yes, we do a contract with the homeowner and the bank to take over the mortgage debt. In most cases we have a closing to transfer-title, but in **some cases** we "construct" a transaction by contract so that we can **potentially release the homeowner of their obligation to the mortgage debt**. This means that we immediately have to start making their mortgage payment until we can complete the retail sale to you. The advantage to you is that we can now allow you to "**occupy**" the property and make payments and cover the existing mortgage until such time (years down the road) that you can secure retail financing.

One unique risk to us and the homeowner for this type of transaction is the **liability**. We may or may not be able to get the originating lender to release the original homeowner from the original debt. This means the homeowner would be liable for the loan itself even after the assumption takes place. As such, if you were to default on the transaction and we were not able to secure another program participant for the property then we both will be in default on the loan. To address this risk for at least the original homeowner, our attorneys can draft agreements releasing their liability when our servicing company completes the assumption transaction – leaving all the risk to our servicing company. Because of the complexity this type of transaction has, most homeowners don't want to participate, making this the least likely method from which we will source a property for you.

Another nonconforming option that may be sourced for you is a property that is financed by the actual current homeowner and this is called **Seller-Financing**. When we're sourcing, from time to time we may find a property that you like in which the homeowner is willing to act like the lender and "sponsor" you by financing the transaction. One of the benefits to this type of transaction is lower closing costs for both parties. This type of transaction also comes with very little underwriting requirements. In this type of transaction you would make mortgage payments to us and we would pay the sponsor just like lenders collect mortgage payments and make payments to their investors. The difference is the homeowner is acting like the investor under a **sponsorship concept**. **In order to source non-conforming properties, a program participant must meet the minimum sourcing eligibility requirements.**

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New Construction

Once you are eligible for the sourcing process there we might be cause to consider a **new construction** home. What was once considered a luxury available to higher income earning families; the ability to construct or build one's own home from the ground up could be a good solution for you. There are a number of pros and cons you should need to be aware of before contemplating this type of transaction.

It's your house.

When you buy a renovated pre-owned home in the program, you are purchasing a home that someone else built to suit his or her lifestyle. Sometimes it's just perfect and exactly what you are looking for but other times there are a few "Why did they do that" issues with a home that you will have to renovate or remove when you move in to fit your lifestyle. When you build a new home you will be able to choose exactly what you want and where you want it so you can move in and not have to touch a thing. The downside is that we have to consider the **extra ordinary costs like (i) city utilities, (ii) assessment or impact fees, (iii) access development costs that price new-construction projects "out-of-budget". Due to these costs and other cost based deterrents you must have a purchasing power greater than $150,000 and a credit mid score of at least 680 in order to qualify for a new-construction transaction.**

Everyone else is new too!

Communities that are established with pre-existing homes are great because you can see the neighborhood, how people care for their homes and everything is already established. Those same benefits can prove to be cons when you are the only new neighbor on the block. Moving into a new construction home grants you the privilege of meeting the neighbors when they are *also* looking to meet new people and settle into the community. There won't be any pre-established social circles to work your way into and you will be discovering new things about your neighborhood at the same time everyone else does.

Newer homes are more attractive when you resell.

Most consumers' think that they are purchasing a home 'forever' but what if your circumstances change. You might have to relocate or you make a lifestyle change a couple short years after you move in. The good news is that newer homes are more attractive to prospective homebuyers because it's their opportunity to buy a newer home without the **price premium** associated with new construction. This will compare favorably to pre-owned homes that may require renovation or updating to make it livable for the modern homebuyer. **If you're going to build a new home certain amenities are typically NOT included in the purchase like, major appliances which will need to be purchased by you.**

Program participants make the selection.

When you purchase a renovated pre-owned home we have to consider that the location is fixed. How many times have we seen a great renovated home that would be absolutely perfect if it were a little closer to the community clubhouse or offered a larger back yard for the kids to play? New homebuilders typically offer a range of model homes to choose from and you can usually place that model on a lot of your choice. Now you can have the home of your dreams in the cul-de-sac you've always dreamed of! **The downside is that there are only so many places where land is available. If you want to be near that specific school or family member, there may not be land available to build on.** In other cases there is land in the area but the home values in that area are out of your budget. Another concern with new-construction neighborhoods is the fact that some builders try to fit as many homes in the development as they can (maximum profit) causing houses to be often too close together. You also need to consider the "maturity" of the neighborhood. With pre-owned homes you can take a historical perspective and check out how effectively the homes have held their value. Purchasing in an established community allows homeowners to learn more about the schools and neighbors before they purchase.

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New homes could save money with efficiency and green building techniques.
Most builders are taking advantage of the Energy Star standard which sets forth a number of requirements that products like windows and doors must adhere to in order to achieve an Energy Star rating. In addition to Energy Star many builders are now offering green building and living options like the installation of solar panels on the roof of a home to harness the sun's energy and convert it to electricity. If you install enough solar panels you may just have the electric company paying you for the electricity you are producing! These features are often very costly to retrofit a renovated home with if it wasn't initially built to these standards. **The downside is that the more efficient and green homes cost way more than a pre-owned home. You can get a larger pre-owned home for about the same price of a smaller new built home. In order to build in our program your purchasing power will need to be at $150,000 or higher.**

Ease of Maintenance.
Thanks to vast improvements in the efficiency and durability of building materials, new homes don't require as much upkeep as older homes. Many home buyers discover they'd rather spend valuable weekend time with family and friends, instead of performing home repair. Do-it-yourself maintenance is not for everyone. **On the flip-side pre-owned home transactions can be constructed to include home warranties that offer protection of some or all of the components of a home. From home appliances, to the heating and cooling systems, extended home warranties can provide you with peace-of-mind.**

Chain of Title.
New construction homes don't have previous owners. A new-construction home doesn't have a "chain-of-title" which requires a title check prior to closing. Acquiring "clear-title" for pre-owned homes can sometimes (not always) cause delays and may extend the time-frames for closing. Those time delays however, are counter balanced by the possible delays associated to the construction of a new home. Weather and other unforeseen variables can sometimes (not always) cause the construction project to extend out months and months longer than anticipated. **With pre-owned homes the issues or problems with the home have already been detected and fixed. With new construction homes sometimes it may be new but that doesn't mean there's not problems and you have to chase the builder which can sometimes be difficult.**

No matter what the economic climate, building a new home has its advantages and disadvantages.

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Rent-to-Own (RTO) program

The objective of the program is to help a program participant reach a point at which they can purchase a home (become a home owner). The rent-to-own option may become available to a program participant allowing them to "occupy" the property prior to purchase. Occupancy by a program participant under a RTO requires the program participant to meet the **minimum sourcing eligibility requirements**. A program participant is not automatically guaranteed to be able to participate in an RTO agreement due to variables like inventory and/or the guidelines on occupancy enforced by sponsors or funding sources.

One way an RTO might open up for a program participant is if the transaction is stalled due to an appraisal. In cases where the appraisal comes in with an unacceptable variance then the program participant may become eligible at that time to participate in an RTO agreement. In these scenarios the program participant may occupy the property on a month-to-month basis until such time that the values support a purchase.

The rental payments are calculated and based upon specific carrying costs like an existing mortgage, taxes and other various expenses. The rental payments cover the debt-service for the property until the program participant can purchase. There is no portion of the rental payments applied to the purchase or the gfc program.

In some cases the lender may require a certain number of rental payments be made, tracked and reported to them for verification of rent history. In these scenarios, once we start a rent to own, the purchase may not be able to continue until a certain number of rental payments have been made; for example three payments or six payments may be required by the lender, which translate to sometimes a minimum rental period of three to six months.

At any time during the occupancy of the RTO, if the program participant creates negative credit that causes their credit scores to drop or other actions like large purchases that impact their debt to income ratio, the program participant will be in "default" and will be terminated from the program and forced to vacate the property.

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Defaulting During the Sourcing Process

Just because we are sourcing doesn't mean you can forget about everything that we've taught you up to this point. Now, is the time to chase the advising team for more consultations on your credit profile, especially more frequently as we complete the sourcing process. There is a lot riding on your completion of the program. There is a significant amount of capital and funding that is solicited and secured for you to acquire your home. **"One-Mistake" can cost all parties involved severely**.

We often spend six to twelve months building your credit profile, paying off bad debt and getting your mid scores where they need to be. It would be a travesty **to slip-up and make a credit card payment late** or any other bill that would report on your credit profile. This behavior would require another year (12 months from a late) in order to be eligible for sourcing. This type of behavior is grounds for termination from the program.

Consider the amount of money that goes into making a transaction work on the program participant's behalf. Then, consider the risk and financial loss that can occur for our sponsors or funding sources if a program participant "**drops-the-ball**" at the finish line. All parties have something to lose which is why we have the gfc program and other accountability elements in the program.

A "**default-action**" is any action you might take that would: (i) **drop your credit scores below 640**, (ii) **negatively affect your DTI ratio**. A default-action is any action that causes you not to be able to complete the purchase of the home we put under contract. The amount of funding and effort involved in acquiring a property on behalf of a program participant is huge.

If a default action occurs prior to the sourcing process being initiated, **termination from the program can be avoided**. It just simply delays the process and extends the timeframes in the program. Depending on the default action the Foundation reserves the right to terminate for default actions at its discretion.

Default actions include; (i) paying bills late (shows on the credit report), (ii) creating a new purchase with a debt that shows on their credit and impacts their debt to income ratio, (iii) not saving their own personal reserves, causing the lender to deny the loan, (iv) not disclosing something major in your past that would cause the lender to turn you down, or (v) any other obvious action that goes against the program, sponsorship or the loan qualification process.

If the acquisition of the property (sponsorship acquisition) has already occurred or is past a point at which it can be stopped and the program participant takes a default action they would most likely be terminated from the program.

An involuntary default would be possible in cases where the program participant lost employment after the sourcing process reached the acquisition point and just prior to the closing causing the lender to deny the loan. In these cases we may be able to avoid termination and facilitate an RTO agreement or we may have to place the property into inventory and try to quickly assign the property to another program participant for a purchase.

Our team will be working closely with you week to week at this point, coaching you on the final steps required to ensure you can close on time. It is important that you implement the strategies given to you by our team so that your score does NOT decrease. If your actions cause your score to go down, then the property will go into the **"Showcase" and will be made available to other eligible program participants**. We will continue to work with you and help you the best we can, but because you can NOT enter into a purchase and sale contract, we're obligated to sell that house to the first available program participant that is able to purchase. We're required to show the house to other program participants until; (i) your issues are resolved and you can enter into a contract, or (ii) another program participant is loan-ready and enters into a contract to purchase the property.

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GENERAL AGREEMENT

I/we understand that in this Agreement all statements and references to services provided by the Foundation are based upon the assumption that I/we have progressed through the program enough to qualify for ("Sourcing Services").

I/we understand that the sourcing process will not start until I/we become **("Eligible")** as defined in this Agreement as well as in the Housing Program Agreement which was completed during my enrollment. I/we understand my/our eligibility to start the sourcing process will require that I/we show measurable progress in overcoming the applicable challenges as defined by the Advising team.

I/we understand that at the time the **"Sourcing Process"** is initiated our preferred real estate brokerage firm will assign a licensed real estate professional to me. This licensee will help me search for distressed properties with a specific budget and cost analysis formula (as described in the sourcing disclosures). I/we agree to complete the process with any assigned real estate professionals when requested.

I/we understand that in order to be eligible for the sourcing process that all applicable program payments must be paid into the gfc program prior to initiating the process for the applicable type of sourcing (as mutually determined by my individual situation and resulting options).

I/we understand that as long as program payments are made as Agreed upon and outlined in the ("Housing Program Agreement") the Foundation shall pay the reasonable cost and expense associated for the time, effort and material costs incurred for ("sourcing-guidance") by the advising team.

I/we understand that the Foundation will in good faith contract with the real estate brokerage firm to deploy all available resources (at the applicable time) to help me source properties that have the amenities, features and preferences that are **applicable to my purchasing power**. I/we understand and can expect the licensee assigned to me to continue the sourcing process until the desired result is achieved.

I/we understand that the quantity of amenities and the selection thereof may be limited in nature. I/we understand that some requests for amenities may not be eligible for coverage in the sponsorship because certain amenities may not work in the budget and therefore would not be applicable. I/we understand that if I/we want a particular amenity or upgrade that I/we may have to sacrifice an alternate amenity to keep the project in the budget.

I/we understand the real estate brokerage firm will make a good faith effort to source properties that are valued at the amount equal to my/our purchasing power as determined by a lender. I/we understand that the value is ultimately determined by a retail appraisal from a licensed appraisal company ordered by a third party lender NOT the Foundation or We Help Brokerage Corporation. I/we understand that an appraisal will be required by a retail lender in order to determine the value of the property I/we have selected.

I/we understand that the appraised value is required in order to account for the various project costs associated to the transaction (further described in the sourcing disclosures). I/we understand that the value that is estimated on a property before or during the acquisition could go up or down because the CMA is only an estimated value that better helps our real estate team determine the viability of the acquisition and the transaction itself.

I/we understand I/we will be required to execute a retail purchase Agreement and purchase the home I/we selected at full market value (unless otherwise stated in a purchase and sale agreement). I/we understand that I/we will be required at that time to complete any other Agreements required to complete a purchase as directed by the We Help Brokerage Corporation.

I/we understand that I/we must complete the purchase of a home that is "Sourced" by the real estate brokerage firm in order to secure sponsorship. I/we understand that when I/we become eligible to start the sourcing process, that I/we authorize the real estate brokerage firm to exclusively manage the ("Sourcing Process") at that time.

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I/we understand that the notion of moving "Fast" or "moving-into-a-home" and completing the program quickly may not be realistic and is NOT guaranteed in any particular time-frame.

I/we understand that I/we may be invited to participate in a "tour" by the real estate brokerage firm which may include viewing: (i) inventory properties, (ii) bank owned homes, (iii) short sale properties, and (iv) homes that are generally distressed. I/we understand that the properties I/we may see on a tour may or may not be available to purchase and understand the objective of a tour is to view homes in various stages so that I/we can better understand the sourcing process. I/we further understand that a tour may be used for motivational purposes for program participants that have not completed the program. I/we understand that there may be other program participants on a tour that have completed the program or are nearing the point of completing the program who may be actually looking at homes for acquisition.

I/we understand that the real estate brokerage firm will provide a purchase and sale contract whereas the cost of a Home Warranty Service Plan from Old Republic (or like company/service) will be marked for purchase by the seller or with funding from a grant or state sponsored program. I/we understand that I/we must complete a purchase transaction from a property that is "Sourced" by the real estate brokerage firm in order for the solicitation to pay for the home warranty service plan to be made.

In order to complete the acceptance of the Home Warranty, I/we understand that I/we must enroll and complete the required paperwork within 10 days of purchasing my home (evidenced by a closing). I/we understand that Home Warranty Services are supported by a third party vendor (Old Republic or other like company/service) and agree not to contact the Foundation or the real estate brokerage firm for service, payments, warranty coverages, etc.

I/we understand that the Foundation will make a good faith effort to secure sponsorship funding to acquire a property on my behalf within the parameters outline in this Agreement. I/we understand that the Foundation will make a good faith effort to secure third party funding to cover closing costs along with other fixed costs of the transaction from a sponsor, grant or other government/state sponsored program. I/we understand that not all retail transactions will result in closing costs being paid out of the transaction due to variables that the parties wouldn't control like the final appraisal.

I/we understand there may be situations in which I/we select a property/transaction that requires me to cover closing costs. I/we understand that it is difficult for any party to determine future costs or expenses so far in advance and will NOT HOLD THE FOUNDATION OR THE REAL ESTATE BROKERAGE FIRM RESPONSIBLE FOR my closing costs when and if the transaction terms change, in such cases where the retail value/appraisal is lower than anticipated or if the type of property we attempt to secure is non-conforming to the program. I/we understand that buyer's closing costs associated to a purchase of a property are my/our responsibility and that the Foundation is responsible for attempting to pull together a transaction by which buyer's closing costs could be paid along with other fixed project costs through sponsorship.

I/we understand that the sourcing process comes with many sourcing options and a variety of solutions that require extensive effort from the real estate brokerage firm and the Foundation. I/we understand that the notion of me just picking out any home is not realistic due to the many variables that have to be considered in the selection process.

I/we understand that the quality of the property and the number of amenities available will be based upon my purchasing power.

I/we understand that the more selective I/we are, the longer it may take to complete the sourcing process and graduate from the program.

I/we understand that it is impossible for anyone to predict the amount of time it will take for all the variables to come together to complete the sourcing process and agree to be patient as we navigate the process.

I/we understand that the value of the property I/we select must be at or below the amount a lender is willing to lend once I/we have completed the program. I/we understand properties that are valued higher than the amount I/we can qualify for will not be pursued.

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I/we understand that once the sourcing process starts, that I/we will continue looking at properties as requested until the sourcing process is completed (as applicable).

I/we understand that it would not be prudent to lock in on a particular property and decide that that any one particular house is the "**The-One**" until I/we have been told that it is time to stop the sourcing process.

I/we understand and agree to follow the sourcing protocols until such time that sponsorship has been achieved and I/we can enter into one of the applicable sponsorship Agreements or a standard purchase and sale agreement.

I/we understand that buying or selling a home can't occur without the services of We Help Brokerage Corporation. I/we understand the process of negotiating, preparing contracts, and the organization that is required to get a program participant through a closing transaction is tremendous. I/we understand that as a program participant I/we will gain access to a team of professionals that are trained to provide these services. I/we understand that I/we could not possibly ("SEE") all the time and effort that goes into helping me, but will take care to appreciate the support and assistance in the sourcing process.

I/we understand that there are two types of real estate professionals; (i) the seller's agent and (ii) the buyer's agent. I/we understand this program is based upon bringing motivated sellers and buyers together to complete a win-win transaction for both parties. I/we understand that purchasing a home outside of our program would mean that I/we would have to deal with a seller's agent who is motivated to market the seller's home with favorable terms for the seller. I/we understand that the goal of a listing agent is to sell the seller's property for the highest possible price with the least amount of concessions and their loyalty is to the seller with whom they have a contract with. I/we understand that in this program the Foundation retains the real estate brokerage firm who will represent both myself and the seller and that this is a mutually exclusive relationship. I/we understand that soliciting or retaining an outside real estate agent is not permissible and that doing so would create confusion and additional work on our team. I/we understand that outside agents do not have the working knowledge of our system and can't possibly be a reliable source of guidance. I/we understand that the Foundation and the real estate brokerage firm **WILL NOT WORK** with an outside agent and any attempt to force this type of activity would be grounds for termination from the program.

I/we understand that when looking at homes I/we should; (i) use a camera to take pictures, (ii) take down notes about the features I/we like and don't like (then communicate that info to the advising team), (iii) look at both the interior and exterior of the properties, (iv) take pictures of the surrounding homes/neighborhood. I/we understand these suggestions will help in the decision making process (once I/we reach the point of qualifying to look at homes).

I/we agree NOT to contact or communicate with a "Sponsor", "Seller" or "Home Owner" before, during or after the negotiation process or for the duration of a rental Agreement (if in a rental agreement). I/we further agree NOT to circumvent the Foundation or the real estate brokerage firm to secure a "Better" deal with the "Seller" or "Home Owner". If it is determined that I/we have contacted and communicated with a seller or home owner as described then I/we may be terminated from the program and I/we understand that I/we may be billed for Services at a rate of $200 an hour (all hours listed in all meeting trackers).

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SPONSORSHIP PROGRAMS

I/we understand that there are two types or categories of sponsorship programs from which sourcing is derived; (i) Primary and Secondary sourcing methods. I/we understand that primary sourcing methods include (i) inventory properties and (ii) distressed properties. I/we understand that secondary sourcing methods include (i) New Construction and (ii) Rent to Own Conversions. I/we understand each of these types of sponsorships require an Agreement with specific terms applicable to each particular transaction as described below.

I/we understand that the Foundation will use its best effort to secure capital from; (i) a sponsor and/or (ii) a government grant, and/or (iii) a government/state sponsored program to fund the acquisition of a home. I/we understand that sponsorship programs are similar in nature to the investor programs behind large banks in that they determine the criteria from which their money is loaned out to consumers (as an investment). I/we understand that in this program in order for me to be eligible for sponsorship funds that I/we must demonstrate discipline and fiscal literacy.

I/we understand ("sponsorship") is the term used to define the process associated to securing capital or funding on my behalf to acquire a distressed property. I/we understand that sponsorship dollars are only approved by a sponsor in sufficient amounts to cover all the costs in a transaction. I/we understand that sponsorship capital/funding may come from local sponsors that I/we may have the opportunity to meet. I/we understand that each sponsor is different and some may choose to meet me and others may opt to talk to me by phone or not at all. I/we understand that in some cases a sponsor may want to meet me to confirm (in person) my commitment to the transaction. I/we understand that the choice to meet with the sponsor is determined by the sponsor.

I/we understand that in order to secure sponsorship the Foundation may have to disclose my pay, taxes, credit report, and gfc program balance. I/we understand that these and other criteria are used to determine factors like commitment level to determine the risk associated to securing a property or approval of a rent to own. I/we clearly understand that the advising team does not determine sponsorship acceptance, only sponsors can and that the advising team can only help secure sponsorship by meeting the sponsorship eligibility requirements.

I/we agree to follow the instructions of the advising team to improve my credit enough and fully fund the gfc program so that I/we can obtain sponsorship by a sponsor.

I/we understand that if I/we have a bankruptcy, foreclosure or repossession that is reporting on my/our credit profile within the last 36 months, that it is difficult (not impossible) to secure a sponsorship. I/we understand that if I/we do have a bankruptcy, foreclosure or repossession on my/our credit profile that I/we may be expected to wait 18 months to 24 months or more from the date these items were discharged and/or placed on my credit profile before the Foundation can provide sourcing solutions and seek sponsorship.

I/we understand that there are numerous factors involved in sourcing and securing a home; (i) price, (ii) value, (iii) condition, (iv) inclusion or exclusion of amenities, (v) length of time from qualifying for a retail loan, etc. and that because there are so many factors involved that it will most-likely take a significant amount of time to complete the sourcing and acquisition process.

I/we understand that I/we cannot under any circumstances make an offer on a property. I/we understand that only a licensed sales associate from the real estate brokerage firm will make offers on my/our behalf. I/we understand that (i) sourcing, (ii) placing offers and (iii) constructing real estate transactions are to be handled exclusively by designated licensed sales associates that work for the real estate brokerage firm.

I/we understand that I/we may be terminated if I/we attempt to circumvent the Foundation or the real estate brokerage firm by approaching a sponsor or seller and attempting to secure a "better-deal" or attempting to negotiate for services or resources from a sponsor. I/we understand that circumventing the Foundation or the real estate brokerage firm will result in termination from the program. I/we understand that the Foundation may at its sole discretion pursue me/us for lost compensation, or damages arising from my/our actions. I/we agree to pay reasonable legal fees that may be incurred by the Foundation and/or the real estate brokerage firm in attempting to secure compensation or damages due to a breach of this and the other Program Agreements.

I/we understand the Foundation and the real estate brokerage firm will help me navigate the entire process including the sponsorship process to help me and any other party to the transaction achieve what is required to make the transaction work.

I/we understand that in most cases program participants must be ("packaged") which is the term used to describe what the Foundation will do to present my file to a sponsor for sponsorship.

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DISTRESSED ACQUISITIONS AND RENOVATIONS

I/we understand that the general sponsorship requirements for a **D**istressed **A**cquisition and **R**enovation (DAR) are: (i) fully funded gfc of no less than $10,000, (ii) all three credit scores are **640** or higher, (iii) verification of income and employment, and (iv) completion of all course materials provided by the Foundation or any third party, (v) a verified DTI ratio that meets or exceeds retail lender guidelines, (vi) an approval (in-writing) from a lender, (vii) verified proof of funds from a bank account you own reflecting at least $1,500 in savings, (viii) verified proof of funds from a bank account you own with the proper amount of reserves ($2,000 to $3,500).

I/we understand the process of sourcing properties for a custom renovation will require looking at distressed properties that are either (i) bank owned or (ii) listed as a short-sale. I/we understand that the DAR program will involve looking at homes that are most likely ("unattractive") as they have been abandoned and understand that with the sponsorship program properties will be restored to like-new condition. I/we understand that it is important for me to be able to ("SEE") past the ugliness of a distressed property and attempt to ("SEE") the property in its future renovated condition when considering viable properties for selection. I/we understand that if I/we only approve properties that are ("move-in") ready that it will most-likely delay the process.

I/we understand that it may take a significant amount of time for the real estate professionals to make offers and navigate the negotiation process.

I/we understand that custom renovations have limitations and the figures and budgets involved have to be within specific guidelines, parameters and amounts in order to work. I/we understand that the Project-Scope is pre-determined and include variable costs such as; (i) the amount and complexity of the renovation, (ii) the closing costs, (iii) realtor fees and other acquisition costs (all outlined in detail in the sourcing disclosures). I/we understand that these limitations have to be pre-factored to determine whether a property can be acquired and the transaction will support all applicable project costs. I/we understand that due to these factors the notion of picking a house and attempting to force only that house into a DAR is counter-productive and not permitted.

I/we understand the acquisition of a distressed property for a custom renovation will require at least two to three months to secure and possibly up to six months in some cases to complete. I/we understand that once the property is secured it may take an additional 30 to 45 days to renovate the property and another 30 to 45 days to close.

I/we understand that the timeline from ("start-to-finish") could take as long as six months from the point at which I/we have initiated the process. I/we understand that the process of locating and securing a property may be longer than expected due to factors like the negotiation process, the bank taking another offer, rejecting an offer, etc.

I/we understand that until the acquisition process is complete we have no way of truly knowing whether a particular property can be secured or not. I/we further understand that the transaction or acquisition of a property could be delayed or worse not occur due to variables that are not in our control, such as (i) due diligence on the property, (ii) fluctuations in value, (iii) issues with the title, etc.

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I/we agree to continue the process in good-faith with the Foundation and the secondary real estate and mortgage teams (with a positive attitude).

I/we agree to keep looking at homes until the real estate brokerage firm indicates that the acquisition process has been completed and that a property I/we selected has been secured on my/our behalf. I/we understand that once a property has been secured on my behalf that I/we will be required to complete the purchase of only that property.

I/we understand that once a distressed property is purchased on my behalf that I/we will need to meet with the general contractor to review the punch list for the renovation. I/we understand that it is my responsibility to communicate any custom preferences or requests to the advising team which must be documented in a meeting tracker in order for them to be considered in the project scope and budget. I/we understand that any preferences or requests that are communicated to the contractor but NOT documented in a meeting tracker with the advising team may not be completed or considered and it will be at my cost to complete said requests or preferences if I/we bring them up after the renovation has been completed.

I/we understand that the amount of input I/we have on specific amenities and preferences will be based upon the available budget prepared by the general contractor and our advising team. I/we understand that I/we will have input on the color schemes of paint, types of flooring and other general improvements to the property which shall all be documented in a meeting tracker with the contractor and the advising team.

I/we understand that preferences or special requests on the renovation are NOT all guaranteed to be completed. I/we understand that preferences are subject to a pre-determined budget and certain items on my list may or may not be included in the renovation.

I/we understand that the primary objective of a renovation is to bring the property to like-new condition and that will require that all major aspects of the property such as; (i) electrical, (ii) plumbing, (iii) heating and cooling, and (iv) the roof, must all be in like-new condition. I/we understand that the secondary objective is to make sure all other aspects of the home are in like-new or new condition such as; (i) the kitchen, (ii) the flooring, (iii) any other visible aspect of the property must all be in like-new condition.

I/we agree that I/we will not create friction with the general contractor or any sub-laborers by making unrealistic requests for upgrades or amenities during the renovation. I/we agree that if I/we do notice changes that need to be made that I/we will communicate with the contractor and the advising team together and make sure all requests are documented in a meeting tracker.

I/we understand that the starting point for sourcing properties is ("Location") and agree to identify the general area of town I/we prefer to live. I/we agree to evaluate my preferences on location prior to starting the sourcing process. I/we understand that evaluating my preferences includes; (i) previewing neighborhoods, (ii) considering distance from neighborhoods to place of employment, (iv) considering distance from neighborhoods to schools, parks, churches, public transportation and access to freeways and interstates.

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NEW CONSTRUCTION TERMS

I/we understand that the general sponsorship requirements (eligibility requirements) for a New Construction Agreement are; (i) a fully funded gfc program of no less than $5,000 and no more than $7,500, (ii) a mid credit score of **680** or higher, (iii) a minimum loan amount of $140,000 to $150,000 or more, in order for a new construction sponsorship to be viable.

I/we understand that once I/we meet all three of the ("eligibility requirements") for a new construction sponsorship, I/we will need to meet with our preferred builder to select a lot in an area where land is available.

I/we understand that I/we can only build in areas where the builder can secure land that is ready to be built upon, without restrictions or unusually large fees or impositions from the city, state or any third party.

I/we understand that if I/we own land and desire to have the builder construct a new home on it, that the cost to prepare the property may need to be covered by me/us. I/we understand these costs may include; (i) city utilities, (ii) assessment or impact fees, (iii) access development costs, etc. I/we also understand that some of these costs may be paid by or through sponsorship and that the determination of who pays what expenses will be considered on a case-by-case scenario.

I/we understand that the various aspects to a custom built home such as amenities, number of bedrooms and bathrooms and the overall square footage is determined by several factors including; (i) the loan amount, (ii) the area I/we would like to build in, (iii) the actual amenities requested. I/we understand that depending on these factors some requests for amenities may not be eligible for coverage in the sponsorship because certain amenities may not provide the return in value needed to warrant including them in the construction. I/we understand that if I/we want a particular amenity or upgrade that I/we may have to sacrifice an alternate amenity to keep the project in the budget.

I/we understand that the construction of a home will have limitations and the figures and budgets which all have to be within specific guidelines and parameters in order to work. I/we understand that these guidelines and parameters are preset with a budget and may include variable costs such as; (i) the cost of the land, (ii) the cost of the materials that go into the home, (iii) various development costs, (iv) realtor fees and other closing costs. I/we understand that these limitations have to be pre-factored to determine whether a particular floor plan can be built or the acquisition of land is feasible and the builder can complete a new construction project and cover all the various costs. I/we understand that due to these factors the notion of building on a lot, in any location may not be realistic and the pursuit of such actions can be counter-productive.

I/we understand that I/we will have the option to select from various floor plans and examples of homes that the general contractor (builder) already has designed, that when built will match the loan amount or purchasing power. I/we understand that I/we may submit plans to the builder and sponsor for approval with the understanding that they must conform to the financial strategy necessary to cover building costs, closing costs, realtor commissions, etc. I/we understand that the final approval on a floor plan is determined by the sponsor. I/we understand that any additional costs associated to using plans that are not already approved and in use by the sponsor is my/our responsibility.

I/we understand that I/we will be presented with my ("options") when meeting with the sponsor and/or general contractor (builder).
I/we understand that once a custom built home is built it will take approximately 45 days from the completion date for the closing transaction to occur. I/we understand that when the lender requests it; (i) I/we must execute a purchase and sale agreement, (ii) my file will go into underwriting (5 to 10 days), (iii) once approved an appraisal is ordered (3 to 5 days), (iv) a closing date is set (5 to 10 days). I/we understand these timelines and agree to be patient with the process, the builder, the sponsor, the advising team as we navigate the process and get to closing.

I/we understand that once the land/lot has been purchased that it will most likely take up to 120 days or more to complete the construction of my home.

I/we understand and agree to work with my sponsor and the general contractor (builder) with the objective of not creating friction by making unrealistic requests for upgrades or amenities during the construction of my home.

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RENT-TO-OWN TERMS

I/we understand that the general sponsorship requirements (eligibility requirements) for an **RTO Agreement** are; (i) a fully funded gfc of no less than $5,000, (ii) a mid credit score of **640** or higher, (iii) verification of income and employment subjective to supporting the purchase of the property (iv) completion of any course materials provided by the Foundation, (v) proof of funds sufficient to support the first months rental payment plus $1,500 in savings.

I/we understand that once eligible for an RTO Agreement I/we will be able to select from a current list of existing properties that are under contract with a sponsor and ready for occupancy. I/we understand that the Foundation does NOT guarantee the availability of properties eligible for an RTO Agreement.

I/we understand that the ability to rent is only available as a result of selecting a property that is available. I/we understand that the ability to rent a property prior to purchasing is a courtesy to me that is approved by the sponsor (owner) of the property and that it is NOT guaranteed to me.

I/we understand the Foundation may provide access to home owners (sellers/sponsors) that may or may not allow me to rent their property and that the ultimate decision is made by the home owner not the Foundation or the advising team.

I/we understand that if a property owner (seller/sponsor) decides that they do not want to rent their property to me that the Foundation will continue the sourcing process until; (i) we identify a property that I/we like where the owner will rent, (ii) I/we can complete the program and become loan ready at which point I/we can complete one of the other types of Agreements (DAR or New Construction) and buy a property without renting under the sponsorship programs.

If I/we should enter into an RTO Agreement, I/we understand that rental payments are preset based upon paying the owner's current carrying costs on the property which may include a mortgage, property taxes, insurance, etc. I/we understand that in most cases the rental payment is likely to be higher than my anticipated mortgage payment (principle, interest, taxes and insurance P.I.T.I.) but potentially lower than the retail rental rate for that given area. I/we understand that if the future mortgage payment is $700 and the going rent in the area is $1,200, for example, that my rental payment might end up being approximately $900 to $1,100 per month. I/we understand that for specific properties where the debt service and carrying costs are higher than normal, the rental payment may be higher than normal and that as long as I/we can afford the terms of the RTO Agreement, it is my/our decision to select that property under the terms of an RTO Agreement.

I/we understand that the amount of an RTO payment must be specifically set to cover the seller's mortgage payment and various annual costs like taxes and insurance. I/we understand that no portion of an RTO payment will be credited back to me/us in any way.

I/we understand that if I/we decide to exercise the option to rent, that I/we may be required to rent the subject property for a certain number of months prior to being eligible by the lenders standards for a purchase. I/we understand that it will take up to two months (or longer in some cases) to complete the closing transaction after meeting any applicable time-frames required for rental occupancy by a lender.

I/we understand that if I/we choose to enter into a Rental Agreement that I/we will be able to complete an option to purchase contract prior to occupancy. I/we understand that the option to purchase contract will be converted into a purchase and sale contract once I/we have completed the proper steps necessary to qualify for a loan. I/we understand that I/we must meet all requirements and qualifications for a loan in order to continue to occupy the subject property.

I/we understand that occupancy under an RTO Agreement can occur within 24 to 48 hours of funding the gfc program at $5,000. I/we understand that I/we may be denied an RTO Agreement if I/we have a bankruptcy, foreclosure or repossession within 36 months listed on my credit profile.

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NON CONFORMING SOURCING (NCS) SOLUTIONS

I/we understand that **("Non Conforming Sourcing") (NCS)** solutions may be available to me that include but are not limited to; (i) properties that are not affiliated with an sponsor, (ii) properties with assumable mortgages, (iii) properties with long-term seller financing options **(iv) properties that may be secured by the We Help Housing Trust and made available to me under a lease option agreement with three, five or ten year terms.**

I/we understand that alternate sourcing solutions are typically made available for program participants that require 36 months or more of time before being eligible to purchase.

I/we understand that ("major") credit issues that would warrant an NCS solution would be; (i) bankruptcy, (ii) foreclosure, (iii) short-sale, (iv) unusually large judgments that require five to ten years to pay off. I/we understand having these types of major credit issues make it impossible for sponsor sponsorship and qualifying for a retail loan.

I/we understand that if I/we have major credit issues that I/we do not have to take an NCS solution and that I/we may continue in the program until such time that I/we qualify for sponsorship.

I/we understand that if I/we do want an NCS solution, (assuming the Foundation is able to deliver viable NCS solutions to me), that the terms of each NCS property will vary and include but not be limited to one or more of the following; (i) ongoing program payments each month ranging from $50 to $200 per month, (ii) additional out of pocket costs that I/we must pay monthly, quarterly or annually to facilitate the NCS property.

I/we understand that the Foundation will present viable NCS properties to me that matches my requested preferences, amenities, pricing and location.

I/we understand that the major advantage to an NCS property is that I/we don't have to have great credit to be eligible. I/we understand that I/we may be required to have additional funding to complete an NCS transaction. I/we understand that I/we will have to continue working with the Foundation (the advising team) to improve my/our credit while I/we am living in the NCS property but I/we have the time necessary to get past the major credit issues that are stopping me from qualifying now. I/we understand that I/we will be required to pay monthly program payments that range from $50 to $200 or more in order to continue receiving assistance from the Foundation. I/we understand that additional terms and conditions will apply to an NCS transaction which will be defined in separate Agreements and contracts drafted, prepared and made available for review within three business days of completing an NCS transaction (occupancy).

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ESTIMATED VALUES

I/we understand that it is critical to know the value of a property in order to properly determine whether a property is obtainable or not.

I/we understand that our team of real estate professionals (a licensed sales associate) will complete a current marketing analysis (CMA) to determine an estimated value.

I/we understand that if a property needs a renovation the estimated value will be determined by an after repair value (ARV) which is an estimate of value based upon the property being brought to full market value.

I/we understand that both the CMA and ARV are estimates that we initially establish to secure the financial terms from which we can source sponsorship capital from either a sponsor, seller or from a government/state program or grant.

I/we understand that once an estimated value has been determined, all the program parameters can be determined more accurately which is critical in determining the viability of a transaction or acquisition of a property.

I/we understand there are various online resources and websites that provide information to consumers on determining the values of properties. I/we understand that these websites are often unreliable in their value estimates by up to 15% or more in some cases. I/we understand that values from websites can be off because they generate values based on averaging all sales in an area, whereas a trained professional appraiser will determine value using only similar comparable sales with an "adjustment" process that online sites don't provide. Example: Our estimated value on a property may be $140,000 but an online website has it for $128,000 and the site is supporting this value based upon a sale at $100,000 and one at $105,000 for houses in the same neighborhood – the issue is that these transactions were for smaller homes that were cash-only investor specials. I/we understand that the retail value of a property can't accurately be determined from those types of properties without completing an actual appraisal. I/we understand an Appraiser is hired to look in-depth at the comparable sales in the area that are ("Move-in ready") like-new homes. I/we understand that foreclosed homes or distressed properties are often sold for less and therefore are not ("similar") in nature to other homes that are not distressed. I/we understand that Appraising involves "adjustments" that require the expertise of someone that can properly analyze comparable properties and come up with a more accurate value.

I/we understand that I/we don't have the expertise, experience or other resources to accurately assist with the process of determining the value of a property. I/we understand that my opinion of value would not be considered in any way unless I/we paid to have an **appraisal performed**.

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ACTUAL VALUES (THE APPRAISAL)

I/we understand that the actual value of a property is determined by a third-party appraisal company which is ordered by a lender. I/we understand the purpose of the appraisal is to provide the lender with a written opinion of value for the property.

I/we understand that if I/we were to go outside of this program, I/we would be responsible for the costs associated to the appraisal (a buyer's cost). I/we understand that the Foundation will negotiate on my behalf and attempt to get the sponsor to cover this cost for me/us as part of the sponsorship funding. I/we understand the lender will require that the appraisal be ordered by a third-party appraisal Foundation, a professional that has no affiliation with you, us or the seller.

Lower Value: I/we understand that in today's market we all are aware that values may fluctuate up or down. I/we understand that if the actual-value from the lender's appraisal is lower than the estimated-value, then it is reasonable to assume that all parties of the transaction would authorize an adjustment of the purchase to the appraised value depending on the variance (difference in price). I/we understand that only the seller/sponsor can permit us to "Adjust" the purchase price down to the actual-value. I/we understand that if the value is too low then we may have to cancel the contract and find another property.

Higher Value: I/we understand that in scenarios where the value is appraised higher than our estimated-value then the purchase price will go up to match that higher value (unless my loan to value doesn't support it). I/we understand the adjustment up to a higher purchase price can only occur if buy at that higher amount is possible. I/we understand that in some cases the value may be higher than my/our purchasing power, which means that I/we would be able to purchase the property at my maximum lender allowed amount. I/we understand that I/we would gain equity in cases where the value exceeds my/our maximum loan amount.

I/we understand the advantage of being a program participant is that I/we don't have to haggle with the seller/sponsor on the purchase price as that is determined first by an estimate and then confirmed by the lender through a third party appraisal.

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